

Message Text

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ACTION AID-05

INFO OCT-01 NEA-09 ISO-00 EB-07 AGR-10 COME-00 OMB-01

TRSE-00 IO-10 OES-05 ABF-01 H-02 CIAE-00 INR-07

NSAE-00 RSC-01 IGA-01 SS-15 SP-02 NSC-05 L-02 CIEP-02

CEA-01 /087 W

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R 131025Z JAN 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 8382

INFO AMCONSUL LAHORE

AMEMBASSY NEW DELHI

UNCLAS SECTION 1 OF 2 ISLAMABAD 0370

PASS AID AND TREASURY

E.O. 11652 N/A

TAGS: EFIN - PK

SUB: TREASURY/CONGRESSIONAL VISIT.

REF: STATE 003388.

BEGIN SUMMARY. MISSION REVIEWS TREASURY/CONGRESSIONAL VISIT WHICH IS CONSIDERED BY ALL CONCERNED TO HAVE BEEN VERY SUCCESSFUL. END SUMMARY.

1. THE TREASURY/CONGRESSIONAL VISIT WENT OFF SMOOTHLY IN ACCORDANCE WITH THE ESTABLISHED SCHEDULE. ON MONDAY MORNING THE ENTIRE GROUP VISITED THE PAKISTANI VILLAGE OF KAMRAN KLAN. FOR SOME IN THE GROUP THIS WAS THE FIRST EXPOSURE TO ASIA AND PROVED TO BE SOMEWHAT TRAUMATIC. THIS VILLAGE HAS A POPULATION OF PERHAPS 10,000 AND IS LOCATED ONLY A HALF MILE OFF THE GRAND TRUNK ROAD. IT THEREFORE IS A RELATIVELY ADVANTAGED POPULATION BUT STRIKINGLY POOR BY WESTERN STANDARDS. THE GROUP OBSERVED GUR (VILLAGE BROWN SUGAR) MAKING PROCESS AND SAW ANIMAL POWERED OILSEED CRUSHING, DIESEL POWERED GRAIN UNCLASSIFIED

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GRINDING AND HAND LOOMING. THE VILLAGERS WERE TYPICALLY

HOSPITABLE AND USED THE OCCASION TO TAKE NOTE THAT CONGRESSIONAL VISIT WAS OCCASION FOR FIRST VISIT TO VILLAGE BY CAMPBELLPORE DEPUTY COMMISSIONER AND TO COMPLAIN THAT SUBSTANTIAL PORTIONS OF VILLAGE LANDS ARE IN PROCESS OF BEING BOUGHT AT EXTREMELY LOW PRICES FOR MILITARY AIRPORT DEVELOPMENT. MANY IN VISITING GROUP CONSIDERED VILLAGE VISIT HIGH POINT.

2. GROUP THEN PROCEEDED TO TARBELA DAM WHERE WAPDA CHAIRMAN SHAH NAWAZ KHAN PROVIDED EXCELLENT BRIEFING, PUTTING DAM PROJECT INTO PERSPECTIVE OF TOTAL INDUS BASIN DEVELOPMENT PROGRAM. BRIEFING WAS FOLLOWED BY TOUR OF THE ALMOST COMPLETED FACILITY, INCLUDING A LOOK AT DAMAGED PORTION OF TUNNEL NO 2. MINISTER FOR EDUCATION, PROVINCIAL COORDINATION, SCIENCE AND TECHNOLOGY, HAFEEZ PIRZADA, ACCOMPANIED BY MINISTER OF FUEL, POWER AND NATURAL RESOURCES YUSUF KHATTAK, HOSTED LUNCHEON. DURING THIS BRIEFING THE GOVERNMENT DID NOT RAISE THE QUESTION OF ARREARAGES IN U.S. CONTRIBUTIONS. AT SEVERAL POINTS CONGRESSMEN SUPPORTED GOP ATTITUDE THAT THE PROJECT MUST BE COMPLETED AS QUICKLY AS POSSIBLE IN ORDER TO BEGIN TO REAP BENEFITS. THE GOVERNMENT ALSO AVOIDED DISCUSSING ANY NEED FOR SUPPLEMENTARY FUNDS TO COVER ADDITIONAL COSTS OF TUNNEL FAILURES. THUS NO REAL ACTIONS WERE FORTHCOMING ON THIS.

3. IN INFORMAL DISCUSSIONS BETWEEN MISSION AND TREASURY STAFF THE QUESTION OF ARREARAGES WAS COVERED. WE TOOK THE POSITION THAT FURTHER DETAILED DISCUSSIONS COULD BEST TAKE PLACE IN WASHINGTON WHERE FINANCIAL ASPECTS OF PROJECT ARE ADMINISTERED BY WORLD BANK.

4. DURING INFORMAL DISCUSSION WITH CONGRESSMAN BEVILL AID OFFICER EXPLAINED (A) HOW U.S. WAS IN ARREARS ON CONTRIBUTION, (B) HOW U.S. ARREARS HAD SO FAR BEEN COVERED BY OTHER DONORS LARGER CONTRIBUTIONS, BUT (C) HOW SINCE EACH DONOR'S CONTRIBUTIONS INCLUDING USC'S WERE ALL SUPPOSED TO BE WITHIN AN OVERALL TOTAL, THIS SITUATION HAD TO BE CORRECTED OR U.S. GOVERNMENT WOULD BE PASSING BURDEN TO OTHERS NOT ONLY IN TIMING BUT IN OVERALL AMOUNTS CONTAINED IN OUR BASIC AGREEMENT.

5. HAVING SAID THIS, WE BELIEVE THAT EACH OF THE CONGRESSMEN ON THIS VISIT NOW HAS AN UNDERSTANDING OF TREMENDOUS SIGNIFICANCE
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OF INDUS BASIN PROGRAM, INCLUDING TARBELA, AND THEREFORE, IT WOULD BE PARTICULARLY APPROPRIATE TO APPROACH THEM INFORMALLY ON THE PROBLEM IN ORDER TO AVOID ANY CUTS IN ADMINISTRATION REQUESTS WHICH MIGHT BE MADE DUE TO LACK OF FULL APPRECIATION IMPORTANCE OF TIMELY CONTRIBUTIONS.

6. THE ONLY CONGRESSMAN WHO TOOK ADVANTAGE OF AIRFLIGHT TO MANGLA DAM WAS CLARENCE LONG WHO THEREFORE MISSED VILLAGE

VISIT. HE STATED THAT HE PARTICULARLY APPRECIATED THE OPPORTUNITY TO SEE THIS COMPLETED FACILITY IN OPERATION.

7. UPON RETURN TO ISLAMABAD CONGRESSMEN AND TREASURY DEPUTY SECRETARY GARDNER HAD BRIEF SESSION WITH AMBASSADOR BYROADE FOLLOWED BY MEETING WITH MINISTER OF FINANCE HANIF. MINISTER LEFT MUCH OF DISCUSSION TO SECRETARY GENERAL KAZI WHO DESCRIBED PAKISTAN'S HOPE TO INCREASE THE HISTORICAL AGRICULTURAL GROWTH RATE FROM 5 PER CENT TO 7 PER CENT WITH THE COMPLETION OF TARBELA AND WITH THE IMPLEMENTATION OF PAKISTAN'S FERTILIZER STRATEGY. HE EMPHASIZED HIS COMPLETE SATISFACTION WITH THE PERFORMANCE OF BOTH THE WORLD BANK AND THE ASIAN DEVELOPMENT BANK. MESSRS. GARDNER, PRICE AND SHRIVER EACH MADE POSITIVE STATEMENTS ABOUT THEIR ABILITY TO BETTER INTERPRET TO COLLEAGUES THE IMPORTANCE OF TARBELA DAM NOW THAT THEY HAVE SEEN IT.

8. ROUNDING OUT A VERY FULL DAY, AMBASSADOR BYROADE HOSTED A DINNER FOR THE GROUP WHICH WAS UNUSUALLY WELL ATTENDED BY PAKISTANIS, THUS EMPHASIZING THE IMPORTANCE WHICH THE GOVERNMENT OF PAKISTAN PLACED ON THE VISIT. MINISTER PIRZADA IN REMARKS AFTER THE DINNER, EMPHASIZED THIS INTEREST.

9. ON MONDAY MORNING THE GROUP FLEW TO LAHORE. THE CONGRESSMEN AND MOST TREASURY STAFF PROCEEDED TO DAWOOD-HERCULES FERTILIZER PLANT WHERE A BRIEFING DESCRIBED THE EXTRAORDINARY SUCCESS OF THIS PLANT IN MAINTAINING BETTER THAN 100 PER CENT PRODUCTION LEVELS AFTER THE FIRST YEAR. THEY ALSO

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PASS AID AND TREASURY

OBTAINED BRIEFING FROM SUI GAS MANAGER WHO EMPHASIZED CRUCIAL IMPORTANCE OF WORLD BANK TO THEIR DEVELOPMENT. IN COURSE OF PLANT TOUR GROUP WAS ABLE TO VIEW TEMPORARY EXCESS STOCKS OF FERTILIZER WHICH AT THE TIME WERE BEING REDUCED BY 2,000 TONS A DAY AND WERE THEN DOWN TO 47,000 TONS. SEVERAL CONGRESSMEN REMARKED ON THEIR SUPPORT FOR INVESTMENTS IN FERTILIZER PLANTS. PARTICULARLY IN LIGHT OF WORLDWIDE SHORTAGE, INCLUDING SHORTAGES IN THE UNITED STATES.

10. GROUP THEN PROCEEDED TO SEE A SALINITY CONTROL AND RECLAMATION PROGRAM (SCARP) TUBEWELL, AN EXPERIMENTAL FARM AND A LINK CANAL. THEY THUS WERE ABLE TO SEE "THE OTHER END" OF THE IRRIGATION SYSTEM.

11. BEFORE DEPARTURE GROUP MADE VERY QUICK VISITS TO LAHORE MOSQUE AND RED FORT AND HAD TEA WITH CONSUL GENERAL.

12. IN COURSE OF VISIT, CONGRESSMEN TENDED TO EMPHASIZE POSITIVE ASPECTS OF WHAT THEY SAW. MOST CRITICAL IN GROUP
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WAS CONGRESSMAN LONG WHO PARTICULARLY WONDERED WHY, IF PROJECTS BRING SUCH EXCELLENT RETURNS ON INVESTMENT (NOTABLY DAWOOD-HERCULES' THIRTY PERCENT RUPEE RETURN ON EQUITY), THEY MUST BE FINANCED WITH CONCESSIONAL RATE LENDING. SEVERAL CONGRESSMEN MENTIONED WITH CONCERN THE EXTENSIVE WATERLOGGING AND SALINITY DAMAGE THEY OBSERVED NEAR LAHORE. WE DEVELOPED THE IMPRESSION THAT CONGRESSMAN ANNUNZIO WAS PARTICULARLY INTERESTED IN PROGRAMS WHICH WOULD HAVE A POSITIVE IMPACT ON "THE LITTLE MAN." ANNUNZIO ALSO EMPHASIZED TO THE AMBASSADOR THAT HE THOUGHT THE TERM "FOREIGN AID" CARRIED WITH THE US PUBLIC THE BAD CONNOTATION OF A GIVE-AWAY PROGRAM. HE URGED THAT A NEW TERM BE FOUND TO DESCRIBE THE PROGRAM.

13. WE FEEL THAT MOST OF THE CONGRESSMEN WERE IMPRESSED BY EXTRAORDINARY NUMBERS OF PEOPLE THEY SAW, PARTICULARLY IN ENVIRONS OF LAHORE. AT THE SAME TIME THEY DID NOT SEEM TO BE AS ENTHUSIASTIC ABOUT POPULATION EFFORTS WHICH WE DISCUSSED INFORMALLY AS WE MIGHT HAVE EXPECTED. CONGRESSMAN SHRIVER IN PARTICULAR QUESTIONED WHETHER AID IS GETTING ADEQUATE RETURNS ON ITS POPULATION EXPENDITURES. (WE DESCRIBED VERY

POSITIVE PROGRAM BEING PURSUED BY PAKISTAN GOVERNMENT,
INCLUDING CONTRACEPTIVE SUPPLY EFFORT WHICH HAS REACHED
INUNDATION LEVELS THIS MONTH.) WE BELIEVE THAT DURING
THEIR VISIT THE GROUP CAME TO SEE PAKISTAN AS A COUNTRY
WHICH HAS A VERY POSITIVE ECONOMIC FUTURE BASED MOSTLY
ON ITS UNUSUAL AGRICULTURAL ASSETS. THIS IS IN SPITE
OF THE BAD LUCK IT HAS BEEN EXPERIENCING DURING THE PAST
YEAR WHICH WILL MAKE FOR A TIGHT ECOMOMIC SITUATION
IN FY 1976.
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